



SOCIAL SECURITY

MEMORANDUM

Date: December 1, 2010

Refer To:

To: The Commissioner

From: Inspector General

Subject: Top Issues Facing Social Security Administration Management—Fiscal Year 2011

The *Reports Consolidation Act of 2000* requires that we summarize for inclusion in the Social Security Administration's (SSA) Performance and Accountability Report, our perspective on the most serious management and performance challenges facing SSA. We have determined that the top management issues facing SSA in Fiscal Year 2011 are: Implement the *American Recovery and Reinvestment Act* Effectively and Efficiently, Improve Customer Service, Improve the Timeliness and Quality of the Disability Process, Improve Transparency and Accountability, Invest in Information Technology Infrastructure to Support Current and Future Workloads, Reduce Improper Payments and Increase Overpayment Recoveries, Reduce the Hearings Backlog and Prevent its Recurrence, and Strengthen the Integrity and Protection of the Social Security Number.

These areas are dynamic, so we encourage continuous feedback and additional areas to evaluate. Our summary of SSA's progress in addressing these management issues will be included in the Fiscal Year 2011 Performance and Accountability Report.

If you have any questions or need additional information, please call me or have your staff contact Steven L. Schaeffer, Assistant Inspector General for Audit, at (410) 965-9700.

A handwritten signature in black ink, appearing to read "Pat O'Carroll Jr.", with a stylized flourish at the end.

Patrick P. O'Carroll, Jr.

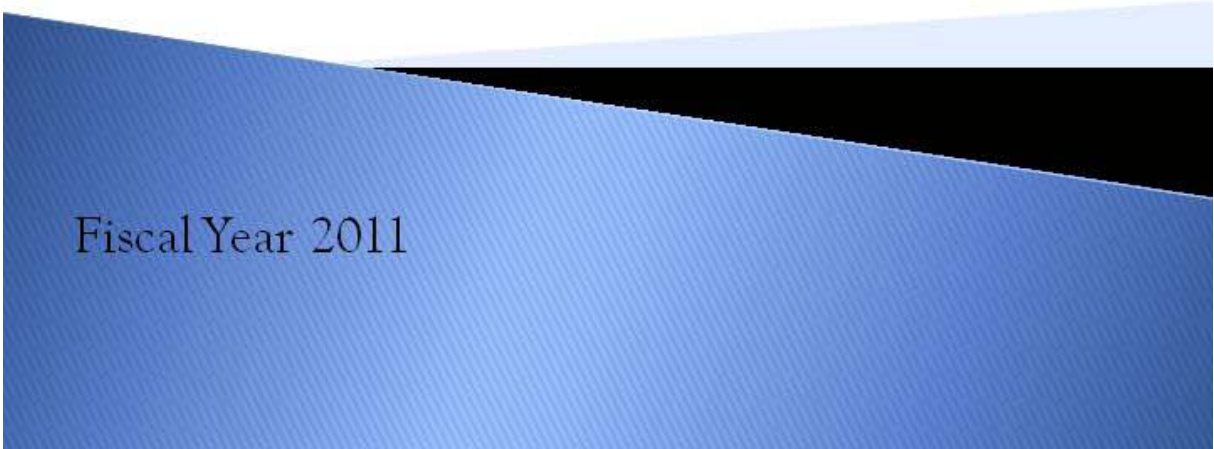
Attachment

cc:

Jo Tittel

Michael Gallagher

Top Issues Facing Social Security Administration Management



Fiscal Year 2011

The *Reports Consolidation Act of 2000*¹ requires that we summarize, for inclusion in the Social Security Administration's (SSA) *Performance and Accountability Report*, our perspectives on the most serious management and performance challenges facing SSA. Since 1997, we have provided our perspective on these management challenges to Congress, the Office of Management and Budget (OMB), SSA, and key decisionmakers. In developing this year's list, we considered

- the four initiatives the Commissioner of SSA has identified as priorities: Eliminate the Hearing Backlog; Improve the Speed and Quality of SSA's Disability Process; Preserve the Public's Trust in SSA's Programs; and Improve Retiree and Other Core Services;
- the Inspector General's Strategic Plan; and
- our body of audit and investigative work.

Finally, we prepared a crosswalk to ensure there was no disconnect or gap among those reviewing SSA's programs and operations.

Crosswalk of OIG Management Challenges to the Commissioner's Priorities and the Social Security Advisory Board		
Commissioner Priorities	OIG Major Management Challenges	Social Security Advisory Board
Eliminate the Hearing Backlog	Reduce the Hearings Backlog and Prevent its Recurrence	Disability Process
Improve the Speed and Quality of SSA's Disability Process	Improve the Timeliness and Quality of the Disability Process	
Preserve the Public's Trust in SSA's Programs	Reduce Improper Payments and Increase Overpayment Recoveries	Supplemental Security Income Process
	Invest in Information Technology Infrastructure to Support Current and Future Workloads	Platform
	Strengthen the Integrity and Protection of the Social Security Number	Retirement Process
Improve Retiree and Other Core Services	Improve Transparency and Accountability Improve Customer Service Implement the American Recovery and Reinvestment Act Effectively and Efficiently	Service Delivery Process People

¹ Pub. L. No. 106-531.

Implement the *American Recovery and Reinvestment Act of 2009* Effectively and Efficiently

On February 17, 2009, the President signed into law the *American Recovery and Reinvestment Act of 2009* (ARRA), P.L. 111-5. The Administration committed to investing ARRA funds with an unprecedented level of transparency and accountability so Americans know where their tax dollars are going and how those dollars are being spent. ARRA provided SSA funds in the following areas.

- \$500 million to replace SSA's National Computer Center (NCC);
- \$500 million to process disability and retirement workloads and information technology (IT) acquisitions and research in support of these workloads; and
- \$90 million to reimburse costs to process a \$250, one-time payment to millions of qualified individuals receiving Social Security benefits and Supplemental Security Income (SSI).

Congress provided \$2 million for the OIG to oversee SSA programs, projects, and activities funded by ARRA.

In FY 2009, SSA identified five specific challenges it faced in implementing ARRA: Overall ARRA Implementation, One-Time Economic Recovery Payment (ERP) Administrative Expenses, One-Time ERP, Disability and Retirement Workloads, and Replacement of the NCC.

In FYs 2009 and 2010, we provided oversight of SSA's ARRA implementation and issued 23 ARRA-related reports. In FY 2011, we will continue providing oversight of SSA's ARRA implementation.

Since the majority of the one-time ERPs has been paid, we will concentrate our efforts in three areas.

1. Overall ARRA Implementation
2. Disability and Retirement Workloads
3. Replacement of the NCC

Overall ARRA Implementation

We will review SSA's efforts to ensure (1) recipients of ARRA funds properly report to FederalReporting.gov and (2) Office of Acquisition and Grants (OAG) staff has appropriate knowledge, skills, and abilities.

Disability and Retirement Workloads

We will review SSA's efforts to invest in technology to enhance SSA's ability to (1) eliminate the hearings backlog and prevent its recurrence, (2) improve the speed and quality of the disability process, and (3) improve retiree and other core services.

Replacement of the NCC

We will review SSA's efforts to ensure (1) proper overall project management, proper site selection, proper facility, and infrastructure construction oversight; (2) IT investments support SSA's strategic IT vision and plan; and (3) the facility complies with the *National Environmental Policy Act*.

Improve Customer Service

For the past 75 years, the public has depended on SSA's programs. Whether it is after the loss of a loved one, at the onset of disability, or during the transition from work to retirement, SSA touches the lives of virtually every person in America. The Commissioner of Social Security has acknowledged that the Agency has struggled to maintain the level of service people deserve.

As a result of the economic downturn and the leading edge of baby boomer retirements, SSA is being inundated with retirement and disability claims. The Agency reported in its FY 2011 Annual Performance Plan that it anticipated receiving over 3.3 million initial disability claims in FY 2010, over 10 percent more than in FY 2009, and nearly 30 percent more than in FY 2008. Additionally, nearly 80 million baby boomers are expected to file for retirement over the next 20 years—an average of 10,000 per day.

SSA concedes it is at a critical time concerning its ability to deliver quality customer service to the public. Many factors challenge the Agency, including shifting demographics, growing workloads, changing customer expectations, and an aging workforce. SSA is also finding that increasing numbers of individuals expect the Agency to provide services in new ways made possible by technology. Finally, SSA anticipates increases in non-traditional workloads, including new provisions of the Medicare program and immigration enforcement.

To enhance customer service, SSA has focused its efforts on increasing staffing levels, clarifying its correspondence, expanding the use of on-line and automated services, improving telephone services, improving services provided by local field offices, and integrating policy changes to complete work more efficiently. While SSA has made great strides in improving service to the public, SSA acknowledges increasing workloads and the loss of expertise due to the retirement of its employees continues to be a challenge for the Agency.

Providing oversight to ensure representative payees properly manage Social Security benefits of vulnerable beneficiaries is a critical customer service performed by SSA. Some beneficiaries are not able to manage or direct the management of their finances because of their youth or mental and/or physical impairment. For such individuals, SSA appoints a representative payee who receives and manages the beneficiary's benefit payments. As of December 2009, SSA reported there were approximately 5.6 million representative payees who managed about \$61 billion in annual benefit payments for approximately 7.6 million beneficiaries. While representative payees provide a valuable service for beneficiaries, SSA must provide appropriate safeguards to ensure they meet their responsibilities to the beneficiaries they serve. In addition, SSA is required to conduct periodic site reviews of certain types of representative payees. Finally, if either a representative payee is problematic or SSA suspects a representative payee of misusing benefits, SSA may request an audit or investigation by OIG.

As of March 2010, the Government Accountability Office had placed strategic human capital management on its list of high-risk Federal programs and operations. The Agency recognizes its employees are key to improving customer service. The projected retirement of its employees continues to present a challenge to SSA's customer service capability. About two-thirds of the Agency's 60,000 employees deliver direct service to the public or directly support the services provided by front-line workers. The Agency projects 50 percent of its employees, including 66 percent of supervisors, will be eligible to retire by FY 2018. SSA expects this will result in a loss of institutional knowledge that will affect SSA's ability to deliver quality service to the public.

Improve the Timeliness and Quality of the Disability Process

SSA is facing a considerable increase in initial and reconsideration claims. At the end of FY 2008, there were over 565,000 initial claims pending. As of June 2010, initial claims pending had grown to over 837,000, an increase of 48 percent over the FY 2008 year-end pending level. In addition, reconsideration claim receipts through the third quarter of FY 2010 were 14 percent higher than the same period in FY 2009.

In April 2010, the Commissioner testified that SSA's plan is to reduce the initial claims backlog to a pre-recession level by 2014. To do so, SSA developed a multi-year plan that includes:

- increasing staffing in the disability determination services (DDS) and Federal disability processing components;

- improving efficiency through automation;
- expediting planned IT infrastructure investments to optimize systems performance; and
- refining policies and business processes to expedite case completion.

As part of the strategy, SSA hired additional DDS employees and plans to maintain higher staffing levels over the next several years. In addition, SSA is maximizing the use of overtime in the DDSs. SSA also created centralized units, called Extended Service Teams, in four States (Arkansas, Mississippi, Oklahoma, and Virginia). The Teams will assist and take claims from the States with the highest pending levels. In FY 2010, SSA placed 280 new employees in the four sites. SSA also increased staffing levels in the Federal disability processing components that support the DDSs – hiring about 237 additional employees.

While SSA has hired additional DDS employees, some DDSs are facing high attrition rates, hiring freezes, and employee furloughs, all of which impact SSA's ability to process the disability workload. In our November 2009 review, *Impact of State Budget Issues on SSA's Disability Programs*, we reported that State furloughs will impact the number of disability determinations some DDSs will make in FY 2010. Because of the furloughs, we expected approximately 69,000 cases to be delayed in processing over a 12-month period, resulting in about \$126.2 million in benefit payments being delayed to newly disabled claimants. In July 2010, the Commissioner of Social Security announced that the Agency is submitting legislation to Congress to end furloughs of federally paid, State disability workers. That legislation would prohibit States, without the Commissioner's prior

authorization, from reducing the number of State personnel who make disability determinations for Social Security or the hours they work below the amount the Agency authorizes.

The increase in initial disability applications also forces the dedication of DDS resources to processing initial applications rather than conducting full medical continuing disability reviews (CDR). In our March 2010 review of *Full Medical Continuing Disability Reviews*, we reported that SSA estimates a backlog of over 1.5 million full medical CDRs at the end of FY 2010. As a result, we estimated that from Calendar Years (CY) 2005 through 2010, SSA will have made benefit payments of between \$1.3 billion and \$2.6 billion that could have potentially been avoided if the full medical CDRs in the backlog had been conducted by DDSs when they became due.

We will continue to work with SSA as it improves the disability process and addresses the workload backlogs. We will also continue to work with SSA to address the integrity of the disability programs through the Cooperative Disability Investigations program. The program's mission is to obtain evidence that can resolve questions of fraud in SSA's disability claims. The program is managed in a cooperative effort between SSA's Offices of Operations, Inspector General, and Disability Programs.

Improve Transparency and Accountability

Transparency and accountability are critical factors in the level of trust and confidence the American public has in its Government, including SSA. If tax dollars are not spent wisely or efficiently, the goals SSA is trying to accomplish are undermined. Mismanagement and waste as well as a lack of transparency for citizens into Government operations, can erode trust in SSA's ability to tackle the challenges it faces.

In a January 21, 2009 memorandum on open Government to the heads of Executive Departments and Agencies, the President noted that Government should be transparent because transparency promotes accountability and provides information for citizens about what their Government is doing. In FY 2011, we will report on SSA's implementation of the Open Government Directive, which requires that SSA take steps to make its operations more transparent, participatory, and collaborative.

Sound financial reporting and effective performance measurement support both concepts of transparency and accountability. Per the *Chief Financial Officers Act of 1990*, an audit of SSA's financial statements is overseen by the OIG each year to ensure that SSA provides clear and accurate financial information to the Administration, Congress, and the public. Similarly, the *Government Performance and Results Act* requires that the Agency develop objective, quantifiable, and measurable goals and outcome-based performance measures each year that are reported publicly in annual performance and accountability plans and reports. The plans and reports help hold the Agency accountable for achieving results, and the

public reporting of the Agency's progress in meeting its goals adds transparency to its operations. In FY 2011, we will continue to evaluate the quality of SSA's performance measures and goals to ensure they are focused on the critical programs and tasks SSA needs to achieve to successfully meet its mission.

Effective internal control helps ensure SSA is accountable to its mission. OMB Circular A-123, Management's Responsibility for Internal Control, requires that SSA develop and implement cost-effective internal controls for results-oriented management. Internal control comprises the plans, methods, and procedures used to meet missions, goals, and objectives. SSA management is responsible for establishing and maintaining internal controls to achieve the objectives of effective and efficient operations, reliable financial reporting, and compliance with applicable laws and regulations. In FY 2011, we will complete a number of audits that determine the effectiveness of the controls SSA has in place over its programs and systems.

As part of its efforts to be accountable, SSA must ensure that its partners provide the services they are contracted to provide efficiently and effectively. Each year, SSA enters into a number of contracts and provides a number of grants that help SSA obtain needed services and research. In FY 2009, SSA spent over \$1.1 billion on contracts that provided many services, including computer system development and support and Social Security Statement print and mail services. We will review multiple contracts and grants in FY 2011 to ensure SSA is getting the services for which it paid and has proper internal controls in place to ensure effective oversight of contractors.

Invest in Information Technology Infrastructure to Support Current and Future Workloads

Managing its current workloads and those projected for the future will not be possible for SSA without the proper IT infrastructure. The Agency uses a variety of technologies, including telephone service, the Internet, and videoconferencing to deliver service to its customers. Today, SSA faces the challenge of how to best use technology to meet the Agency's increasing workloads. Congress, SSA's Advisory Board, the OIG, and others have concerns regarding the Agency's systems continuity and availability, system modernization efforts, IT service delivery, and IT strategic planning and management of IT investments.

SSA's primary IT investment over the next few years is the replacement of its NCC. SSA has received over \$500 million from ARRA to replace the NCC. The NCC was built in 1979 and while its computing capacity has been expanded over its 30 years of operations, increasing workloads and expanding telecommunication services are now severely straining the NCC's ability to support the Agency's business. SSA estimates that by 2012, the NCC as a stand-alone data center will no longer be able to support this expanding environment. Additionally, significant structural problems and electrical capacity issues have developed that now make construction of a new primary computer center imperative; however, the Agency has projected that this new facility cannot be operational before 2015.

SSA took possession of the Second Support Center (SSC) in January 2009. The SSC is a co-processing center, as routine operations will be divided between the NCC and the SSC, each backing up data to the other on a continual basis. Some of SSA's production systems began operating in the SSC in May 2009. In June 2010, SSA conducted an Accelerated Disaster Recovery Environment exercise to test the Agency's ability to recover completely from an NCC disaster. The exercise used tapes for recovery purposes. The Accelerated Disaster Recovery Environment exercise was designed to determine whether the critical systems can be available at the SSC if the NCC is not available.

In addition to its aging data center, SSA's legacy systems and applications are in need of modernization. Over the past 30 years, SSA has developed some of the most complex, powerful, and successful Common Object Business Oriented Language (COBOL) software in the world. The Agency has roughly 60 million lines of COBOL in production. These COBOL programs support the Agency's high transaction volume and enable SSA to meet its regulatory, benefit, and reporting requirements.

However, some consider COBOL a dead or dying language. On the other hand, COBOL is used in other Federal agencies and Fortune 500 companies to process billions of transactions every day. In a 2007 report, the National Research Council stated that newer programming languages had more productive capabilities than applications written in COBOL. Further, applications in COBOL were cumbersome to maintain. On the other hand, in a 2002 study, Gartner stated that replacing all SSA's COBOL applications at once is too costly and risky. The study reported that many of SSA's COBOL applications

provide excellent, continuing support, particularly for routine, high volume workloads. In conclusion, Gartner suggested restructuring the COBOL applications to better support SSA's future systems development.

Historically, SSA has primarily administered its services through face-to-face or telephone contact. The Agency estimated the aging of the baby boomers would substantially increase its traditional workloads. To improve its services to the public, the Agency has been transitioning to Web-based services for both retirement and disability claims. The Agency took its first step toward this transition by introducing the Internet Social Security Benefit Application in 2000, and by the end of 2007, SSA offered 17 eServices to the public. While SSA offers web-based services, currently, only 35 percent of retirement applications are filed by the public on-line. The Commissioner testified that to keep SSA's field offices from being overwhelmed by increasing workloads, the Agency would need to increase electronic filings to 50 percent by 2013.

In FY 2008, SSA's 800-number network handled about 58 million calls. Call volumes are estimated to reach 68 million by 2010 and have surpassed the Agency's ability to keep pace with its workloads. One way SSA is addressing this need is through the use of Voice Over Internet Protocol (VOIP) telephone systems. VOIP places telephone calls through the Internet, which allows SSA to fully integrate its telephone system and computer network. Thus, VOIP provides faster call routing to any geographic location, the ability for calls to follow the users between locations across the network, and quicker access to caller information.

In our 2010 review, *The Social Security Administration's Voice Over Internet Protocol Contract* (A-14-09-19045), we contacted several field offices where VOIP had been installed and they had experienced service issues. For example, we encountered long wait times, disconnected or dropped calls, poor sound quality, and difficulty when navigating the telephone menu tree. If our experiences are representative of VOIP functionality, this raises concerns about the level of customer service provided to individuals calling SSA's field offices.

Reduce Improper Payments and Increase Overpayment Recoveries

SSA is responsible for issuing over \$700 billion in benefit payments annually to about 60 million people. Given the large overall dollars involved in SSA's payments, even the slightest error in the overall process can result in millions of dollars in over- or underpayments.

Workers, employers, and taxpayers who fund the SSA and SSI programs deserve to have their tax dollars effectively managed. As a result, SSA must be a responsible steward of the funds entrusted to its care and minimize the risk of making improper payments. SSA strives to balance its service commitments to the public with its stewardship responsibilities. However, given the size and complexity of the programs the Agency administers, some payment errors will occur.

For example, according to SSA, in FY 2008,

- SSI overpayments were \$4.6 billion (10.3 percent of outlays) and underpayments were \$789 million (or 1.8 percent of outlays).

- DI overpayments were \$1.2 billion (1.12 percent of outlays) and underpayments were \$160 million (or 0.15 percent of outlays).
- OASI overpayments were \$841 million (0.17 percent of outlays) and underpayments were \$334 million (or 0.07 percent of outlays).

For FYs 2009 to 2012, SSA's goal is to maintain OASDI payment accuracy at 99.8 percent for both over- and underpayments; whereas for SSI, the Agency's goal is to achieve an underpayment accuracy rate of 98.8 percent and an overpayment accuracy rate of 96 percent.

In November 2009, the President issued Executive Order 13520 on reducing improper payments; and in March 2010, OMB issued guidance for implementing it. Also, in July 2010, the *Improper Payments Elimination and Recovery Act of 2010* was enacted. As a result, all agencies with high-priority programs—because they have significant improper payments—are required to intensify their efforts to eliminate payment errors. SSA's programs are designated as high risk.

The reduction of improper payments is one of SSA's key strategic objectives. A powerful tool for reducing improper payments is the CDR. Through completion of CDRs, SSA periodically verifies that individuals are still disabled and entitled to disability payments. Available data indicate that SSA saves about \$10 for every \$1 spent on CDRs. However, the Agency has cut back on this workload over the past several years. From CY 2005 through CY 2010, we estimate SSA will make between \$1.3 and \$2.6 billion in disability benefit payments that could potentially have been avoided if full medical CDRs were conducted when

they became due. Furthermore, although SSA plans to conduct an increased number of full medical CDRs in FY 2011, a backlog of approximately 1.5 million full medical CDRs will most likely remain. Therefore, we estimate SSA will pay between \$556 million and \$1.1 billion during CY 2011 that could have been avoided if the full medical CDRs were conducted when they became due.

Similarly, SSA decreased the number of SSI redeterminations conducted between FYs 2003 and 2009 by more than 40 percent. We estimated in a July 2009 report, *Supplemental Security Income Redeterminations*, that SSA could have saved an additional \$3.3 billion during FYs 2008 and 2009 by conducting redeterminations at the same level it did in FY 2003.

SSA has identified the major causes of improper payments and has taken steps to address them. For example, one of the major causes of improper payments in the OASDI program is benefit computation errors. SSA developed automated tools to address the more troublesome computation issues. Another major cause of improper payments in the SSI program is the failure of a recipient or representative payee to provide accurate and timely reports of new or increased wages. In response, SSA developed a large-scale monthly wage reporting system incorporating touch-tone and voice recognition telephone technology. SSA also uses the Access to Financial Institutions to reduce SSI payment errors by identifying undisclosed financial accounts with balances that place recipients over the SSI resource limit. SSA plans to expand the use of this process in the future.

SSA uses a variety of methods to collect the debt related to overpayments. Collection techniques include internal methods, such

as benefit withholding and billing and follow-up. In addition, SSA uses external collection techniques authorized by the *Debt Collection Improvement Act of 1996* (Pub. L. No. 104-134) for OASDI debts and the *Foster Care Independence Act of 1999* (Pub. L. No. 106-169) for SSI debts. These debt collection tools include the Treasury Offset Program, credit bureau reporting, administrative wage garnishment and Federal Salary Offset. In FY 2009, SSA recovered \$3.06 billion in improper payments at an administrative cost of \$0.06 for every dollar collected. According to SSA, the Agency began developing several debt collection enhancements in FY 2010, and it will continue to improve its debt collection program.

SSA has also worked to improve its ability to prevent over- and underpayments by implementing our audit recommendations. For example, in June 2010, we issued a report, *Manual Computations of Supplemental Security Income Payments*, which identified about \$4.4 million in overpayments and about \$3.7 million in underpayments for the period July 2008 through June 2009. SSA agreed with the recommendations we made to improve this area and had already initiated actions to correct the payment errors identified.

We also issued a report in July 2010, *Retroactive Title II Payments to Released Prisoners*, where we estimated SSA issued approximately \$3.8 million in retroactive payments that released prisoners were not entitled to receive. SSA agreed with our recommendations.

Reduce the Hearings Backlog and Prevent Its Recurrence

At the forefront of congressional and Agency concern is the timeliness of SSA's disability decisions at the hearings adjudicative level. The average processing time at the hearings level has increased over the years—from 293 days at the end of FY 2001 to 435 days at the end of June 2010. Additionally, the pending hearings workload grew to approximately 694,000 by the end of June 2010—up from about 392,000 cases at the end of FY 2001.

Since May 2007, the Agency has been implementing the Commissioner's plan to eliminate the backlog of hearing requests and prevent its recurrence. The Commissioner's plan focuses on (1) compassionate allowances, (2) improving hearing office procedures, (3) increasing adjudicatory capacity, and (4) increasing efficiency with automation and improved business processes. The Agency's goal is to eliminate the hearings backlog by 2013 and improve average processing time to 270 days. Achieving these goals will depend on a number of factors, including available resources and expected workloads. For example, the additional resources provided under ARRA for FYs 2009 and 2010 allowed the Agency to hire more ALJ and support staff to process hearing requests. As a result, the Agency is making progress in this area. In March 2010, the Commissioner announced that the number of pending hearings was at the lowest level since June 2005.

Compassionate Allowances. The compassionate allowances initiative, implemented nationwide in October 2008, seeks to identify cases where the disease or condition is so consistently devastating that SSA can presume the claimant is disabled once a valid diagnosis is confirmed. SSA launched the expedited decision process with 50 conditions—25 rare diseases and 25 cancers. Another 38 conditions were added to this list in February 2010.

Improve Hearing Office Procedures.

Reducing aged cases is one of the two initiatives SSA has in place to improve hearing office procedures, the second being adjudication of cases by Senior Attorneys. Under the aged claim initiative, SSA focused on eliminating cases 1,000 days or older in FY 2007, cases 900 days or older in FY 2008, cases 850 days or older in FY 2009, and cases 825 days or older in FY 2010. This initiative has refocused the hearings process to ensure the oldest cases are processed first. Under the Senior Attorney program, staff other than ALJs issue fully favorable on-the-record decisions to expedite the decision and conserve ALJ resources for the more complex cases and cases that require a hearing. SSA reported that Senior Attorneys had issued approximately 41,000 decisions as of June 2010.

Increase Adjudicatory Capacity. SSA has seven initiatives aimed at increasing adjudicatory capacity. One initiative is hiring new ALJs. In FY 2009, ARRA provided SSA \$500 million to assist with increases in retirement and disability workloads, of which \$123 million was allocated to the Office of Disability Adjudication and Review (ODAR). Using these funds, ODAR hired 30 new ALJs and 535 additional support staff in FY 2009. ODAR also continues to build new hearing offices around the country. In addition, ODAR will be operating five National Hearing Centers by the end of FY 2010.

Increase Efficiency with Automation and Improved Business Process. SSA has more than two dozen initiatives related to automation and business processes. Such initiatives include shared access to electronic files, improved management training, enhanced electronic business processes, and a new quality assurance program. One initiative is expanding the use of video equipment at hearings to increase ALJ productivity and decrease ALJ travel. This video initiative also includes a Representative Video Project that allows claimant representatives to use their equipment to participate in hearings from their own offices.

We will continue to work with SSA as it proceeds with its initiatives. For example, in our June 2010 review of hearing office staffing and performance, we found that ODAR's staffing ratio was 5.1, exceeding the Agency's national goal of 4.5 staff per ALJ. We also found most hearing offices exceeded the decision writer per ALJ goal. However, we identified a number of offices that still needed attention to meet the Agency's goals, and found the staffing ratio methodology needed to be updated. We also found that centralized units were assisting hearing offices with staffing

shortages and recommended their expansion.

In a July 2010 review, we reported SSA should be able to achieve its FY 2013 pending hearings backlog goal if the Agency has reliably projected the key factors, such as hearing level receipts, ALJ availability levels, ALJ productivity levels, and senior attorney adjudicator decisions through 2013. We also acknowledged that the Agency has varying control over these factors, and a small variance in these projections could cause SSA to exceed the targeted number of cases in its 2013 pending hearings backlog plan. As a result, we noted that continued assessment of the factors, appropriate adjustments, and communication of Agency needs to other parties, including the Congress and the Office of Personnel Management, will be essential to keep this endeavor on track.

Strengthen the Integrity and Protection of the Social Security Number

In FY 2009, SSA processed approximately 6 million original and 12 million replacement SSN cards and received approximately \$671 billion in employment taxes related to earnings under assigned SSNs. Protecting the SSN and properly posting the wages reported under SSNs are critical to ensuring SSN integrity and that eligible individuals receive the full benefits due

The SSN is heavily relied on in U.S. society as an identifier and valuable as an illegal commodity. Accuracy in recording workers' earnings is critical because SSA calculates future benefit payments based on the earnings an individual has accumulated over his or her lifetime. As such, properly assigning SSNs only to those individuals authorized to obtain them, protecting SSN information once the numbers are assigned,

and accurately posting the earnings reported under SSNs are critical SSA missions.

Efforts to Protect the Social Security Number

To its credit, SSA has implemented numerous improvements in its SSN assignment, or enumeration process. With these new procedures/requirements, the enumeration workload has increased in complexity for SSA personnel. Despite these challenges, we believe SSA's improved procedures have reduced its risk of improperly assigning these important numbers. Some of SSA's more notable enumeration improvements include the following.

- Establishing Enumeration Centers in many States that focus exclusively on assigning SSNs and issuing SSN cards.
- Requiring that field office personnel who process SSN applications use a Web-based, intranet application known as SSNAP. This process combines the functionality of the two prior systems, the *SS-5 Assistant* and the Modernized Enumeration System, into a single system. Because of numerous policies and procedures involved with processing SSNs, including third party verification of applicant documents, SSA developed SSNAP to help reinforce those policies by collecting data in standardized fields and facilitating interfaces with other agency systems in which verification of applicant information is required.
- Strengthening the standards and requirements for identity documents presented with SSN applications to ensure the correct individual obtains the correct SSN.

We applaud the Agency for these efforts. Nevertheless, we continue to have concerns regarding SSN assignment and protection. For example, the Agency cannot prohibit the collection and use of SSNs. Our audit and investigative work have taught us that the more SSNs are unnecessarily used, the higher the probability that these numbers could be used to commit crimes throughout society. We are also concerned about the practice of assigning SSNs to certain categories of noncitizens who will only be in the United States temporarily but are allowed to obtain SSNs that are *valid for life*. Further, we believe controls over the issuance of SSN Verification Printouts are insufficient to prevent improper attainment of these sensitive documents and disclosure of PII.

Finally, SSA is devoting resources to develop an on-line system for issuing replacement Social Security cards. While we support the Agency's decision to offer more services on-line to enhance customer service, we are concerned about the potential for unscrupulous individuals to manipulate such a system. As such, we encourage the Agency to proceed carefully with this initiative, ensuring proper authentication controls are in place before full implementation.

To further enhance SSN integrity, we believe SSA should

- support legislation to limit public and private entities' collection and use of SSNs and improve the protection of this information when obtained,
- continue its efforts to safeguard and protect PII, and
- develop stringent authentication measures to ensure the highest level of security and identity assurance **before** moving forward in offering on-line replacement SSN cards.

The Social Security Number and Reported Earnings

Properly posting earnings ensures eligible individuals receive the full retirement, survivors, and/or disability benefits due them. If earnings information is reported incorrectly or not reported at all, SSA cannot ensure all individuals entitled to benefits are receiving the correct payment amounts. In addition, SSA's programs depend on earnings information to determine whether an individual is eligible for benefits and to calculate the amount of benefit payments.

SSA spends scarce resources correcting earnings data when incorrect information is reported. The Earnings Suspense File (ESF) is the Agency's record of annual wage reports for which wage earners' names and SSNs fail to match SSA's records. As of October 2009, the ESF had accumulated about \$836 billion in wages and 296 million wage items for TYs 1937 through 2007. In TY 2007 alone, the ESF grew by \$90 billion in wages and 10.7 million wage items.

SSA has taken steps to reduce the size and growth of the ESF. The Agency offers employers the ability to verify names and SSNs of their employees using the Agency's Social Security Number Verification Service, which is an on-line verification program, before reporting wages to SSA. In FY 2009, employers submitted over 99 million verifications.

SSA also supports the Department of Homeland Security in administering the E-Verify program, which assists employers in verifying the employment eligibility of newly hired employees. As of September 4, 2010, about 222,000 employers, representing about 794,000 locations, were enrolled to use E-Verify. As of that date, these employers had submitted approximately 15 million queries in 2010.

While SSA cannot control all the factors associated with erroneous wage reports, it can improve wage reporting by informing employers about potential SSN misuse cases, identifying and resolving employer reporting problems, encouraging greater use of the Agency's employee verification programs, and enhancing the employee verification feedback to provide employers with sufficient information on potential employee issues. SSA can also improve coordination with other Federal agencies with separate, yet related, mandates. For example, the Agency needs to work with the IRS to achieve more accurate wage reporting.